

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF OKLAHOMA**

IN RE:)
)
Keystone Gas Corporation,) **Case No. 22-12088**
) **Chapter 11**
Debtor.)

**LIMITED OBJECTION TO DEBTOR’S MOTION FOR ORDER APPROVING
INTERIM OPERATIONS AGREEMENT BETWEEN THE DEBTOR, NAVITAS
UTILITY CORPORATION AND SOUTHERN KENTUCKY ENERGY, LLC**
(Docket No. 36)

Marle Production Co., LLC, an Oklahoma limited liability company (“Marle”), Yarhola Production Corporation, an Oklahoma corporation (“Yarhola”), Little River Energy Company, an Oklahoma company (“Little River”), J.J.&K. Oil Co., LLC, an Oklahoma limited liability company (“JJ&K”), Oakland Petroleum Operating Co., Inc., an Oklahoma corporation (“Oakland”), and Guardian Energy Consultants, Inc., an Oklahoma corporation (“Guardian”) (collectively, “Objecting Parties”), individually and collectively, by and through their counsel, Gary M. McDonald, interpose this Limited Objection to the Debtor’s Motion for Order Approving Interim Operations Agreement Between the Debtor, Navitas Utility Corporation and Southern Kentucky Energy, LLC [Dkt. No. 36] (“Motion”). In support of this Limited Objection, the Objecting Parties would advise the Court as follows:

1. The Designated Representative in this case is Richard Allen Sellers, III, who discharges the duties of the Debtor-in-Possession. Keystone Gas Corporation (“Keystone” or “Debtor”) has indicated in its Motion that based upon “ongoing health challenges” of Mr. Sellers, that Keystone desires to obtain the assistance of Thomas Hartline of Navitas Utility Corporation, a Nevada corporation (“Navitas”) and Jason Sharp of Southern Kentucky Energy, LLC, a Kentucky limited liability company (“Southern Kentucky”) as Co-Chief Restructuring Officers to assist the Debtor with operations. The proposed Interim Operations Agreement indicates that on

September 14, 2022, a Resolution of Keystone was adopted amending Keystone's bylaws, appointing Mr. Hartline and Mr. Sharp as Co-Chief Operating Officers of Keystone in connection with the Bankruptcy Case with "powers, duties and responsibilities as set forth in the Resolution," and that Keystone later adopted a Supplemental Resolution effective September 28, 2022, in which the respective duties of the President and the co-CROs were "further detailed and a voting procedure for approval of new contracts by Owner was established." Neither the Resolution nor the Supplemental Resolution are attached to the Motion for review. In addition, from the Motion it appears that Navitas and Southern Kentucky entered into a Pre-Petition Plan Support Agreement and a Restructure Term Sheet. The Plan Support Agreement is listed as Exhibit "C" to the proposed Interim Operations Agreement but not attached to the pleadings filed, and the Restructure Term Sheet is not provided.

2. Objecting Parties are producers of gas which has been delivered to and sold to Keystone through the Keystone Pipeline System. Representatives of the Objecting Parties have had the opportunity to meet with both Mr. Hartline and Mr. Sharp. It is clear that these two gentlemen and the organizations they represent may play a critical role in the acquisition of the Keystone Pipeline System in this case. Navitas, as shown in the Statement of Financial Affairs [Dkt. No. 57, Response No. 11], has already paid the Debtor's counsel's pre-petition fees in the amount of \$80,497.60, and Southern Kentucky is a proposed lender of \$100,000 to the Debtor under a pending motion [Dkt. No. 35], which would provide a carve out to potentially pay Debtor-in-Possession's post-petition fees.

3. Objecting Parties believe it is critical that the Keystone Pipeline System be restored and rehabilitated to operation to provide a means for the sale of gas in the six-county area served by Keystone. Objecting Parties assert claims against Keystone for gas produced and sold by Keystone, but for which payment was not made.

4. Objecting Parties believe it is important that the Resolution and the Supplemental Resolution be made available for review and consideration, as they apparently establish, among other things, “a voting procedure for approval of new contracts by Owner,” and will provide an understanding of the roles that Mr. Hartline and Mr. Sharp could exercise as Co-Restructuring Officers. From the perspective of the Objecting Parties, understanding the terms governing their proposed roles is important to the case and potential development of a Plan. Preliminary discussions with those two gentlemen have proved positive. The voting control with respect to decisions and the role of the two gentlemen, as set forth in the Resolution and in the Supplemental Resolution, should be made available to the parties-in-interest and the Court. In addition, the Plan Support Agreement and the Restructure Term Sheet should also be available to parties-in-interest.

5. Discovery will be undertaken concerning the pre-petition management and activities of Mr. Sellers related to the Keystone Pipeline System, and such information might provide a basis for a review of Mr. Seller’s continued role as Designated Representative. Objecting Parties believe that, in their own experiences, there is evidence the pipeline system was operated improperly as to them, with respect to the payment for gas for significant periods. Discovery will provide additional information concerning historical data. It appears, from a reading of the Debtor’s Schedules, that with one exception, there are no claims scheduled for “royalty interest owners” and that the amount of claims of the Objecting Parties and all other producers are indicated as “Unknown” or “\$0.” These claims consist of 85 of the 138 listed unsecured creditors. Objecting Parties believe the aggregate amount of these unknown claims will be significant. The validity, scope, extent and magnitude of such claims will be important for formation and inclusion in any Plan. The Schedules [Dkt. No. 56] also do not reflect any Gas Purchase Agreement(s) between Keystone Gas Corporation and the parties selling gas to it, which one would expect would be in existence.

6. This Limited Objection is not made for purposes of delay or to oppose the ultimate potential appointment of either Mr. Hartline or Mr. Sharp, but to afford additional information on these key points addressed herein, to assure the Court and creditors have adequate information, as to the appropriateness of the Motion, the Interim Operations Agreement and proposed control of this case. A hearing on this Motion is appropriate and requested.

WHEREFORE, Objecting Parties respectfully submit this Limited Objection to the Motion and request that the same be set for hearing.

Respectfully submitted,

/s/ Gary M. McDonald

Gary M. McDonald, OBA No. 5960

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Company, J.J.&K. Oil Co., LLC, Oakland Petroleum
Co., Inc. and Guardian Energy Consultants, Inc.*

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on October 14, 2022, a true and correct copy of the foregoing pleading was served electronically on participants in the CM/ECF system according to local procedures, and was mailed with proper postage fully paid to the creditors and parties-in-interest listed on Exhibit “A” attached hereto.

/s/ Gary M. McDonald

Label Matrix for local noticing
1087-5
Case 22-12088
Western District of Oklahoma
Oklahoma City
Fri Oct 14 13:49:30 CDT 2022

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Oklahoma City, OK 73102-5805

Marle Production Co., LLC
5310 E. 31st St.
Suite 900
Tulsa, OK 74135-5018

RCB Bank
c/o Scott P. Kirtley, Esquire
Riggs, Abney
502 West 6th Street
Tulsa, OK 74119-1016

USBC Western District of Oklahoma
215 Dean A. McGee
Oklahoma City, OK 73102-3426

Airgas USA, LLC
P.O. Box 734671
Dallas TX 75373-4671

Arco Environmental Remediation, LLC
1701 Summit, Suite 2
Plano TX 75074-8175

Battery Outfitters
P.O. Box 215
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Charles Lindsey Riddle
43747 West 131st Street
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2208 S. Council Creek Road
Stillwater OK 74074-7096

Ally Bank, c/o AIS Portfolio Services, LLC
4515 N Santa Fe Ave. Dept. APS
Oklahoma City, OK 73118-7901

Keystone Gas Corporation
PO Box 1156
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7318 S. Yale Ave.
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Wells Fargo Vendor Financial Services, LLC f
PO Box 13708
Macon, GA 31208-3708

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Aurora CO 80014-3541

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Minneapolis MN 55438-0902

Baker Hughes Oilfield Inc.
1333 Corporate Drive #300
Irving TX 75038-2535

Brandon & Regina Bruner
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Drumright, OK 74030-5903

Oklahoma Tax Commission
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PO BOX 269056
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Kiefer OK 74041-4541

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2721 NW 36th Avenue
Norman OK 73072-2411

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Cushing OK 74023-2994

Gungoll, Jackson, Box, Devoll, PC
P.O. Box 1549
Enid OK 73702-1549

Harris Oil Co., Inc.
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Cushing OK 74023-0112

Indian Electric Coop
2506 E. Highway 64
Cleveland OK 74020-4054

Industrial Oils Unlimited
P.O. Box 3066
Tulsa OK 74101-3066

Internal Revenue Service
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P.O. Box 7346
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PAWNEE OK 74058-3418

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Tulsa OK 74136-5108

Lincoln County Land Office
811 Manvel Avenue, Suite 5
Chandler OK 74834-3800

Lincoln County Treasurer
811 Manvel Avenue #6
Chandler OK 74834-3800

Logan County RWD #3
P.O. Box 187
Marshall OK 73056-0187

Logan County Treasurer
Logan County Courthouse
301 E. Harrison Avenue #100
Guthrie OK 73044-4939

Mark Lauderdale Enterprise
3215 E. Deep Rock Road
Cushing OK 74023-6425

Max Haken Glenco
9815 N. Bethel Road
Glencoe OK 74032-1500

Measurement Solutions, Inc.
6705 E. 81st Street
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Tulsa OK 74133-4129

Memorial Machine
6303 S. 40th West Avenue
Tulsa OK 74132-1200

OGE Energy Corp.
P.O. Box 321
Oklahoma City OK 73101-0321

Office of Natural Resources Revenue
6525 N. Meridian Avenue
Suite 270
Oklahoma City OK 73116-1420

Okie 811
6908 N. Robinson Avenue
Oklahoma City OK 73116-9041

Oklahoma One Call System Inc.
6908 N. Robinson Avenue
Oklahoma City OK 73116-9041

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OKLAHOMA CITY OK 73102-8601

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Pawnee OK 74058-2568

Payne County Rural Water District #2
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Terlton OK 74081-0103

Payne County Treasurer
315 W. 6th Avenue
Stillwater OK 74074-4079

Pitney Bowes
2225 American Drive
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Pitney Bowes
c/o McCarthy, Burgess & Wolff
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Cleveland OH 44146-1807

Pitney Bowes Inc
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Shelton, CT 06484-4361

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Superior Pipeline Company, LLC
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United States Trustee
United States Trustee
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The preferred mailing address (p) above has been substituted for the following entity/entities as so specified by said entity/entities in a Notice of Address filed pursuant to 11 U.S.C. 342(f) and Fed.R.Bank.P. 2002 (g)(4).

Caterpillar Financial Services Corp.
2120 West End Avenue
Nashville TN 37203

Dell Financial Services
P.O. Box 80409
Austin TX 78708

(d)Dell Financial Services, LLC
Resurgent Capital Services
PO Box 10390
Greenville, SC 29603-0390

Oklahoma Tax Commission
2501 N. Lincoln Blvd.
Oklahoma City OK 73194

RCB Bank
P.O. Box 189
Claremore OK 74018

Addresses marked (c) above for the following entity/entities were corrected
as required by the USPS Locatable Address Conversion System (LACS).

Larry & Sheila Martin
46751 E. 42nd Road
Pawnee OK 74058

Walt Pettit
705 Yuma Drive
Broken Arrow OK 74011

The following recipients may be/have been bypassed for notice due to an undeliverable (u) or duplicate (d) address.

(u)Southern Kentucky Energy, LLC

(d)Ally Bank c/o AIS Portfolio Services, LLC
4515 N. Santa Fe Ave. Dept. APS
Oklahoma City, OK 73118-7901

(d)J.J. & K. Oil Company LLC
114 NW 8th Street
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(d)Little River Energy Co.
1260 E. Broadway Street
Drumright OK 74030-5903

(d)Marle Production Co. LLC
5310 E. 31st Street
Suite 900
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(d)Oakland Petroleum Operating
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(d)Yarhola Production Company
1209 E. Bdwy
Drumright OK 74030

End of Label Matrix
Mailable recipients 82
Bypassed recipients 7
Total 89